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**For Immediate Release**

July 28, 2005

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**State Auditor Vaudt Reviews Final  
Fiscal Year 2006 Budget Approved by Governor**

(Des Moines, Iowa) – Late last month, Governor Vilsack signed the final appropriation bills for Fiscal Year 2006. Now that the dust has settled from the 2005 legislative session, State Auditor Dave Vaudt has completed his review of the final approved budget. Following are some of his findings about Iowa's planned spending for the fiscal year that began July 1, 2005.

**Spending in Fiscal Year 2006 Jumps 7.1% Over Fiscal Year 2005**

True total General Fund expenditures will grow from \$4.984 billion in Fiscal Year 2005 to \$5.336 billion in Fiscal Year 2006—a 7.1% increase. This includes costs of \$368 million shifted to other funds and an estimated Medicaid supplemental appropriation of \$30 million. Auditor Vaudt noted, "Even with revenues increasing, our appetite to spend continues to outpace any revenue growth."

**Continued Reliance on Other Funds**

Again in Fiscal Year 2006, General Fund costs are being shifted to other limited-time funds such as the Senior Living Trust Fund and Cash Reserve Fund. General Fund costs shifted in Fiscal Year 2006 totaled \$368 million, compared to \$420 million in Fiscal Year 2005. The Fiscal Year 2006 total includes \$109 million of Medicaid costs shifted to the Senior Living Trust Fund—a fund that will be essentially depleted at the end of Fiscal Year 2006. This is the sixth consecutive year where General Fund costs have been shifted to and paid for by other funds. Auditor Vaudt said, "It is extremely disappointing to see this continued reliance on other funds."

**Spending Exceeds Revenues**

Total available revenues projected by the Revenue Estimating Conference (REC) in April 2005 amounted to \$4.990 billion, of which only 99%, or \$4.940 billion, can be spent. By shifting costs to other funds, however, true total General Fund expenditures under this Fiscal Year 2006 budget will total \$5.336 billion—spending \$346 million more than revenues and avoiding the 99% spending limitation. Auditor Vaudt emphasized, "This is the eighth consecutive year true total General Fund expenditures have exceeded revenues available." He also noted this spending deficit occurred despite use of the April 2005 REC revenue estimate (by "notwithstanding," or legally ignoring, the law requiring use of the December 2004 REC revenue estimate in calculating available revenues). This provided an additional \$85 million in Fiscal Year 2006 spending.

## A Degree of Good News from Fiscal Year 2005

Revenues for Fiscal Year 2005 are currently anticipated to exceed revenues projected in the Fiscal Year 2005 budget, as amended. However, unaudited results won't be available until September. The Governor proposed to use most of this revenue surplus by appropriating \$213 million more in Fiscal Year 2005. The House, on the other hand, held firm on limiting the Fiscal Year 2005 supplemental appropriation to \$80.5 million, primarily to cover additional Medicaid costs. The House position prevailed, which means a larger-than-expected Fiscal Year 2005 surplus should help rebuild the Cash Reserve Fund. Auditor Vaudt warned, "While this is definitely good news, keep in mind that, as proposed by the House, \$160 million of this larger-than-expected surplus has already been appropriated for Fiscal Year 2006 property tax credits." Furthermore, any remaining surplus amounts deposited back into the Cash Reserve Fund will be only a fraction of the \$798 million of costs shifted to the Cash Reserve Fund and other funds in Fiscal Years 2005 and 2006. Auditor Vaudt concluded, "The good news is—revenues for Fiscal Year 2005 look like they will exceed the expectations of the REC. The bad news is—this 'good luck' seems to be about the only way we put monies back into the Cash Reserve Fund and other funds we continually tap."

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**State of Iowa  
General Fund  
(\$ in millions)**

	<u>FY06</u>	<u>FY05</u>	
Expenditures per budget	\$ 4,938.6	4,599.9(A)	
Repayment to Cash Reserve Fund	-	(45.5)	
Expenditures Shifted	367.7	430.0	
Estimated Medicaid Supplement	<u>30.0 (B)</u>	<u>-</u>	
			<u>Increase</u>
True Total General Fund Expenditures	<u>\$ 5,336.3</u>	<u>4,984.4</u>	<u>7.1%</u>

	<u>FY06</u>	<u>FY05</u>
Expenditures Shifted:		
Cash Reserve Fund-		
For Property Tax Credits	\$ 159.6	159.6
Senior Living Trust Fund-		
For Medicaid	108.7	143.3
Tobacco Related Funds-		
For Medicaid & Substance Abuse	52.8	51.9
For Debt Service Payments	15.7	28.9
Hospital Trust Fund-		
For Medicaid	22.9	37.5
Environment First Fund-		
For Soil Conservation & Park Operations	7.5	7.5
Rebuild Iowa Infrastructure Fund-		
For Capitol Building Security	-	.8
For Aviation Improvement Program	<u>.5</u>	<u>.5</u>
	<u>\$ 367.7</u>	<u>430.0</u>

(A) Includes \$80.5 million supplemental appropriation for Medicaid primarily

(B) Estimate ranges from \$30 to 45 million